

Housing Problems Differ Across Types of Rural Households

Government policy recognizes housing as a basic need, and home ownership as desirable. Minimum standards for appropriate housing include being safe and sanitary, of sufficient size, and affordable. Households whose homes fall short of necessary or desirable standards are concentrated in certain population segments. However, the reasons for these housing problems differ widely among groups and between nonmetro and metro areas. Physical inadequacies are most frequently in the housing of nonmetro Black households, particularly those who are poor. But crowding is the principal housing problem for both nonmetro and metro Hispanic households.

While most housing-related issues span rural and urban America, significant rural-urban differences exist. These include differences in the housing stock, population characteristics, and markets for housing and home mortgages. Recognizing these differences will benefit public policy actions. Recent changes in Federal housing programs have generally added flexibility, increased the role of State and local governments, and emphasized the inclusion of segments of the population and geographic areas that were deemed underserved by existing housing and home mortgage markets. There is evidence that the housing situation has been improving for both targeted and nontargeted segments of the population.

Homeownership Is Rising as Housing Becomes More Affordable

The housing market has been on a roll in both rural and urban America. This is shown by indicators of physical quality, adequacy for the residents' needs, affordability, and homeownership. The rate of homeownership is at an all-time high, with nearly two-thirds of all U.S. households and three-fourths of rural households owning their home in 1995 (app. table 17). The rate of homeownership in both nonmetro and metro areas has increased steadily since 1994. Additionally, the marketplace is very active, as both housing sales and new home construction are at near-record levels. And, on average, housing has seldom been more affordable. In the first quarter of 1998, U.S. median household income was 34 percent more than needed to afford the median-priced home. According to this widely used indicator, housing has not been so affordable since 1973.

While both nonmetro and metro households share in these positive trends, housing problems disproportionately continue to affect some groups more than others. Most likely to experience housing disadvantages are Blacks and other racial minorities, Hispanics, and those with low incomes regardless of race or ethnicity. Some housing problems for these groups occurred more frequently in rural areas, while others were more often in urban areas.

However, the housing situation for these groups is also improving. According to a Harvard University study, the recent growth rate of minority homeownership has exceeded that for other households. While minorities are 17 percent of all homeowners, they accounted for 42 percent of new homeowners between 1994 and 1997. Home mortgage lending in recent years also reflects this trend. The growth in mortgage lending to minorities and low- or moderate-income families substantially exceeds that for other borrowers. While it is nearly certain that rural minorities are sharing in this trend of rapidly growing homeownership, specific rural data are not available.

Housing Issues Vary Across Population Groups

Housing is generally recognized as better if it has no physical deficiencies, contains basic facilities, has adequate space, is less costly, and is owned by the occupant. Most indicators of housing quality show that the incidence of housing problems differs widely among population groups and by rural and urban location, meaning that the various problems are not concentrated within the same populations.

Homeownership Is Prevalent Among Rural Household Groups

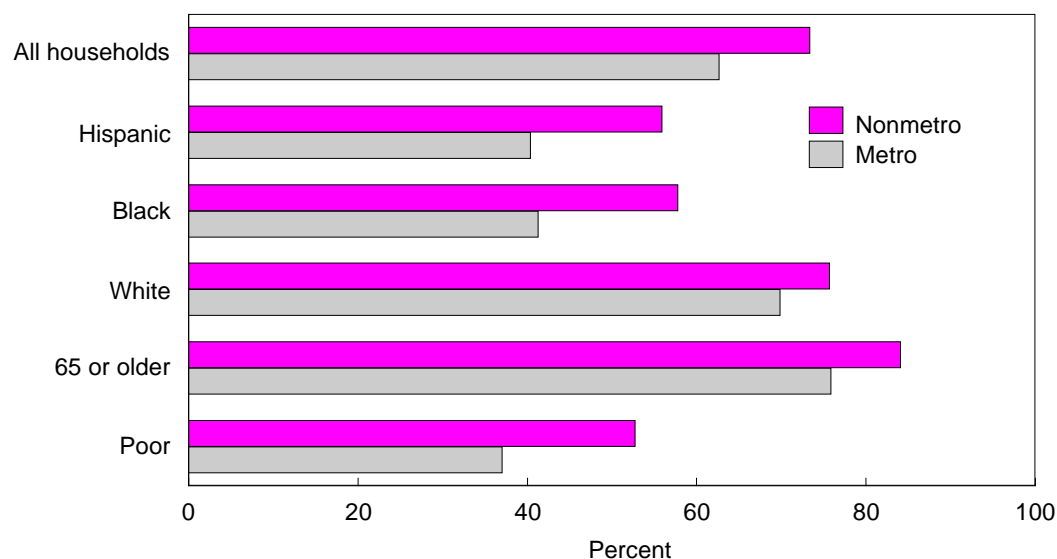
Homeownership usually benefits both the homeowner and the general public. Public policy is clearly geared toward promoting greater homeownership, as demonstrated by government tax policies and program initiatives, and indeed the ownership rate is trending upward.

The rate of homeownership in 1995 was higher among nonmetro than metro households for each of the population groups (fig. 1). Ownership was the dominant pattern for all nonmetro groups, but not for metro Black, Hispanic, or poor households. While generally

Figure 1

Households who own their homes, 1995

In both nonmetro and metro areas, minority and poor households are the least likely to own their homes



Source: Calculated by ERS from 1995 American Housing Survey data.

both nonmetro and metro poor were among the least likely to be homeowners, this was not true for the poor who were also elderly (app. table 17).

Households that rent, plus new households formed by those leaving their parents' and other households and immigrants, are the group from which new homeowners must come. A disproportionate share of these households are poor, Black, or Hispanic. Even among households that are not in poverty, Black and Hispanic households are the least frequent owners. While nearly 80 percent of nonpoor White households in nonmetro areas owned their home, comparable figures were only 62 percent and 68 percent, respectively, for Hispanic and Black households.

Hispanics Are More Likely to Live in Crowded Homes

A home is generally considered crowded when the number of residents exceeds the number of rooms. The incidence of crowding is highest for Hispanic-headed households, as one of seven live in crowded conditions (fig. 2). A higher share of the Hispanic population live in crowded housing, partially because greater crowding tends to be associated with larger households. The relationship of household size to crowded conditions also helps to explain the crowding percentages for other population categories. For instance, the homes of elderly households who usually have only one or two persons are unlikely to be crowded. In fact, the homes of one-person households will never have more persons than rooms because every housing unit has at least one room.

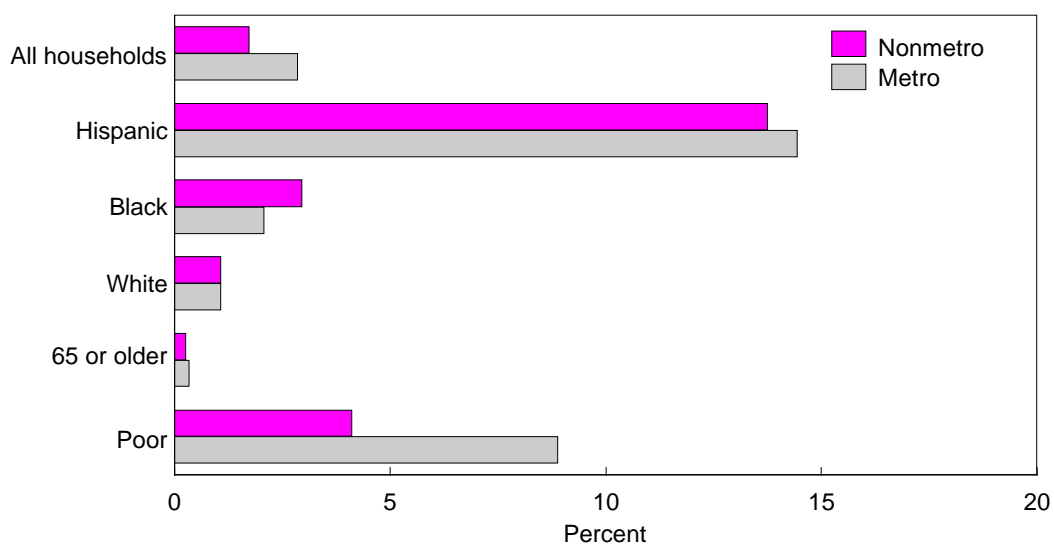
Rural Homes More Often Lack Complete Plumbing

Once used as the principal indicator of housing quality, housing that lacks complete plumbing facilities for the exclusive use of the residents is a problem for under 2 percent of both nonmetro and metro households, but is a problem more frequently in rural areas (fig. 3). This contrasts to 1960, when 30 percent of nonmetro and 7 percent of metro homes lacked complete plumbing facilities. Most residents of homes that fail this quality indicator today have access to a full bathroom that is also used by another household. Poor and Black rural households are the most likely to have such a housing problem.

Figure 2

Households living in crowded homes, 1995

The homes of Hispanic households are most likely to be crowded

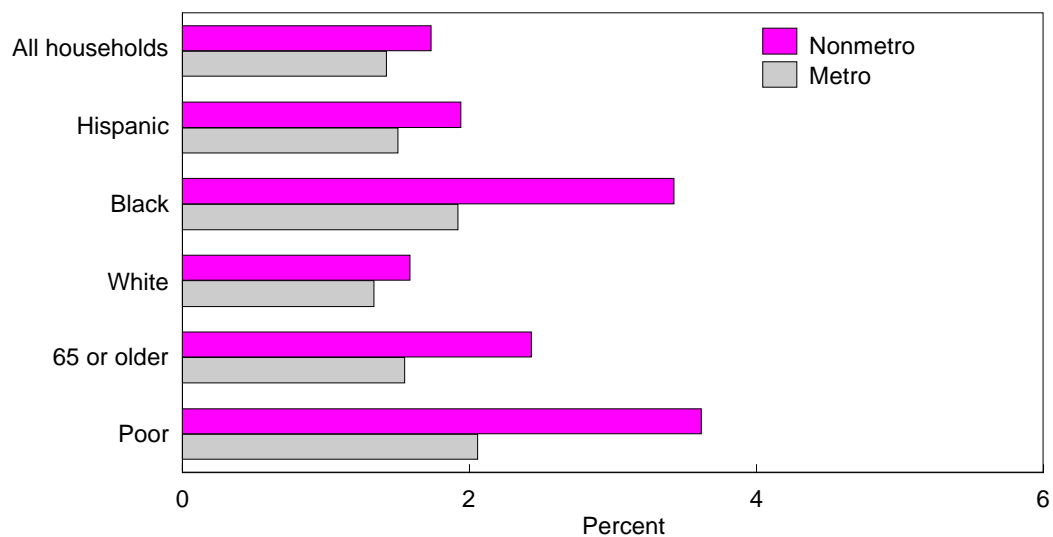


Source: Calculated by ERS from 1995 American Housing Survey data.

Figure 3

Households whose homes lack complete plumbing facilities, 1995

Nonmetro homes of Black and poor householders most often lack full plumbing



Source: Calculated by ERS from 1995 American Housing Survey data.

Rural Homes Have More Physical Problems

The most widely used index of physical inadequacy combines the plumbing indicator with information about the adequacy of heating and electric facilities, maintenance items like leaking roofs and holes in walls, kitchen facilities, and the condition of public hallways and other common areas in multi-unit housing. By this measure, 6 percent of nonmetro homes and 4 percent of metro homes were considered moderately inadequate, and another 2 percent of each were severely inadequate in 1995 (fig. 4). The combined incidence of moderate and severe physical inadequacy is 24 percent for the homes of all nonmetro Black households, and 34 percent for those who were also poor. While the homes of nonmetro poor and Hispanic households were on average better than those of Black households, they were twice as likely as all nonmetro homes to be physically inadequate.

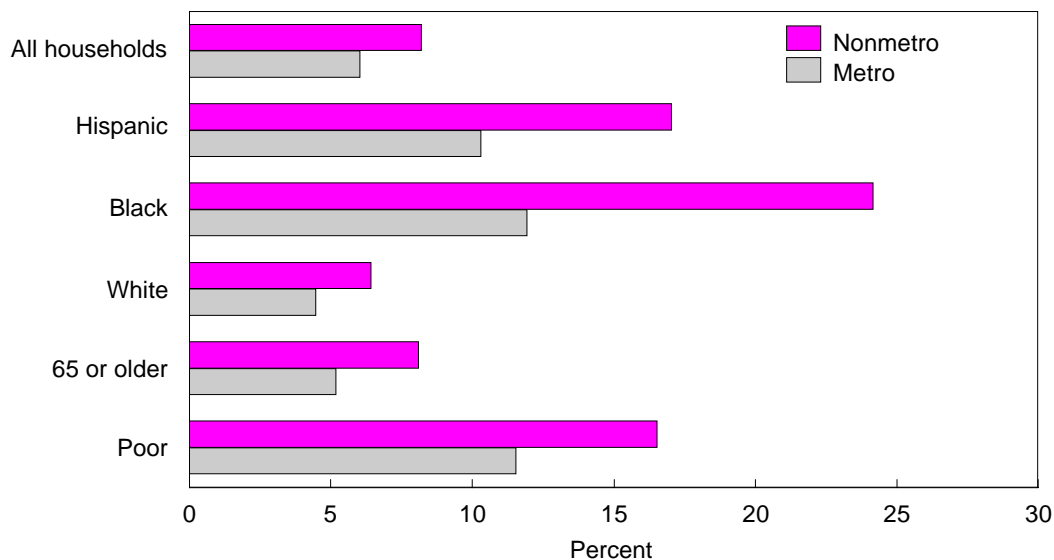
Excessive Housing Expenses Most Often Hurt the Poor

Over 2 percent of nonmetro households had housing expenses deemed excessive because they consumed over half of the household's income. Twice as many nonmetro homes would have been labeled as too expensive, if we had instead used a 30-percent threshold. Not surprisingly, the poor were most likely to spend a large part of their income on housing (fig. 5). Housing expenses were more of an urban than rural problem for all of the population groups considered. And, within each of these groups, excessive housing expenses were mostly a problem for the poor. For instance, 34 percent of poor nonmetro Black households had excessive housing expenses, compared with only 2 percent of Black households not in poverty.

Figure 4

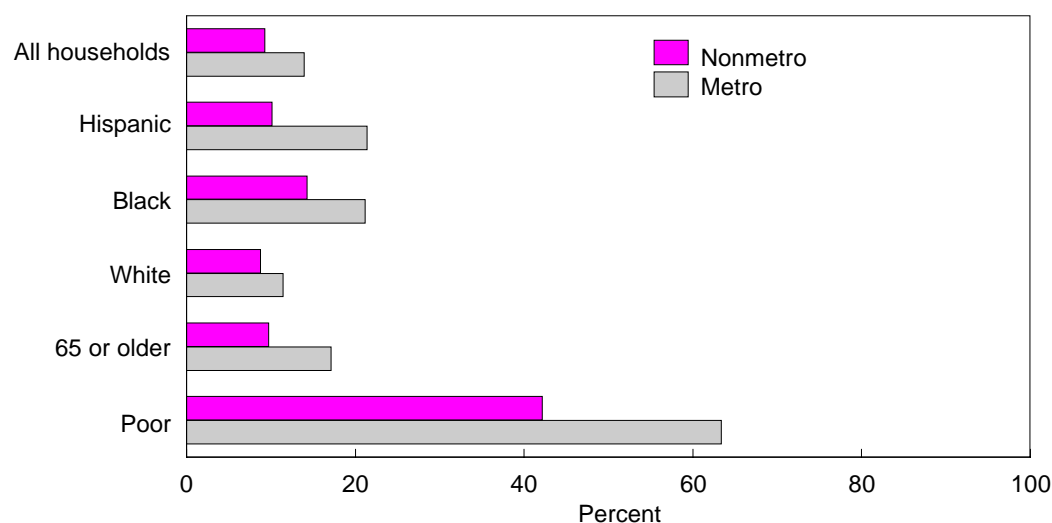
Households whose homes are physically inadequate, 1995

The homes of nonmetro minority and poor households are most likely to have significant physical problems



Source: Calculated by ERS from 1995 American Housing Survey data.

Figure 5

Households whose housing expenses exceed half of their income, 1995*Housing consumes the bulk of many poor families' budgets*

Source: Calculated by ERS from 1995 American Housing Survey data.

Indicators Fail to Reflect Current Housing Needs of Elderly

The housing needs of older persons frequently differ from those of other households. The more important housing issues for this rapidly growing population, which are highlighted by the data presented here, stem from the particularly high rate of homeownership. The 65-and-older homeownership rates—84 percent in nonmetro and 76 percent in metro areas—were well above the overall levels in 1995. This raises numerous important housing issues for this aging population of homeowners that common indicators fail to reflect. Some of these issues include housing design, modification, and location that will accommodate independent living at an affordable cost. Whether emanating from the government or private sector, programs and innovations designed to extend the period of independent living for older persons, particularly in rural areas, should be targeted largely at a population of homeowners, not renters. The median home equity of elderly nonmetro homeowners is over \$60,000, as more than 85 percent own their home free and clear of mortgage debt. Various types of reverse mortgages to tap home equity without selling the home are currently available, but have been used only sparsely. Rural communities that will be most affected by these housing issues include those with larger shares of elderly population and communities functioning as destinations for retirees.

Diverse Rural Housing Needs Require Diverse Programs

Addressing a number of different housing needs requires access to a mix of housing programs that offer considerable flexibility. In fact, numerous programs address such specific issues as home mortgage availability, the low-income housing stock, and rental assistance. And recent changes in Federal housing programs reduce operating restrictions, making it possible for applications at the State and local level to more appropriately address specific needs. [James Mikesell, 202-694-5432, mikesell@econ.ag.gov]